

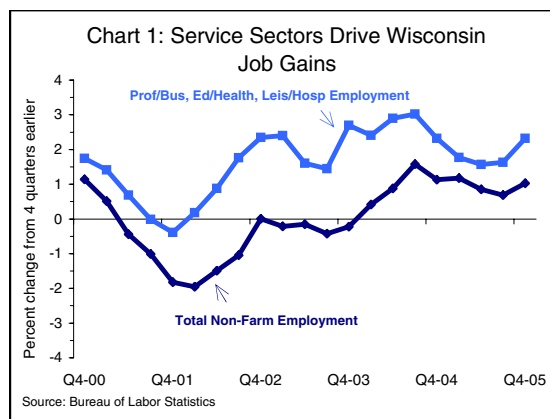
# FDIC State Profile

Spring 2006

## Wisconsin

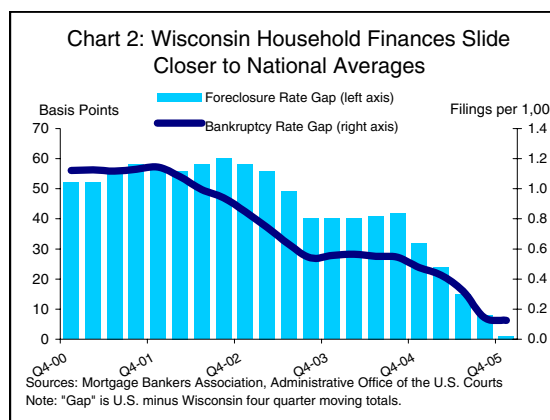
Wisconsin's job growth improved and was led by gains in service sectors.

- Wisconsin's payroll employment growth (year-over-year) improved slightly as of fourth quarter 2005 compared to the third quarter, but continued to lag the national rate of 1.4 percent. The state's payroll increased 29,900 (1.1 percent) during the year ending fourth quarter 2005. The **Madison** metro led the state with 5,500 new jobs during this period.
- During fourth quarter 2005, the professional and business, educational and health, and leisure and hospitality sectors added 32,000 jobs compared to the prior year fourth quarter, representing 80 percent of the state's new job growth (see Chart 1). The state's construction sector added an additional 4,200 jobs.



After more than a decade of relatively low levels of bankruptcies and foreclosures, weakness has begun to emerge among Wisconsin households.

- During the past five years, the nation's personal bankruptcy and mortgage foreclosure rate has exceeded the state average; however, the difference considerably narrowed during 2005 (see Chart 2). The state's per capita bankruptcy filing rate has increased and approximated the national average during the fourth quarter 2005 after trailing the nation for several years. The state's mortgage foreclosure rate also increased, nearly equaling the national average at year-end 2005.
- Residential mortgage loans that are past due 90 days or more in the state have increased but remained low relative to the nation.



Energy prices moved higher in 2005.

- Average winter heating fuel prices across the state grew at double-digit rates in 2005, marking the second consecutive year that price growth exceeded 15 percent. Prices for natural gas, which represents more than half of Wisconsin residential sector energy use, increased almost 30 percent since last winter. Prices for residential electricity use also rose almost 20 percent in 2005. Energy-related expenditures (utilities, gasoline, and motor

**Table 1: Profitability Maintained by Lower Overhead Despite Weaker Margins**

Income statement contribution (percent of average assets)	Calendar year		Percentage Point Change
	2004	2005	
Net Interest Income	3.59	3.55	-0.04
Noninterest Income	0.76	0.74	-0.02
Noninterest Expense	-2.70	-2.64	0.06
Provision Expense	-0.15	-0.12	0.03
Security Gains & Losses	0.02	0.01	-0.01
Pretax Net Income	1.52	1.54	0.02
Income Taxes	-0.39	-0.38	0.01
Net Income (ROA)	1.13	1.16	0.03

Source: FDIC

Note: Merger-adjusted data for Wisconsin's Community Institutions

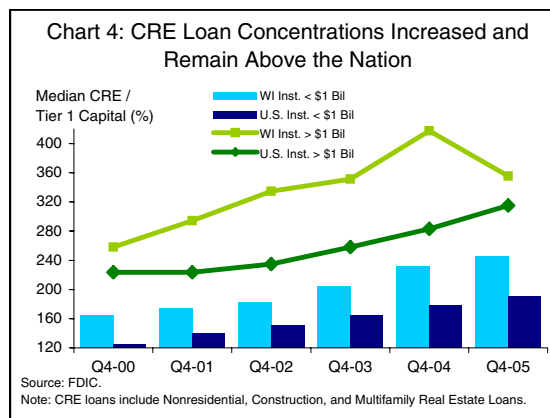
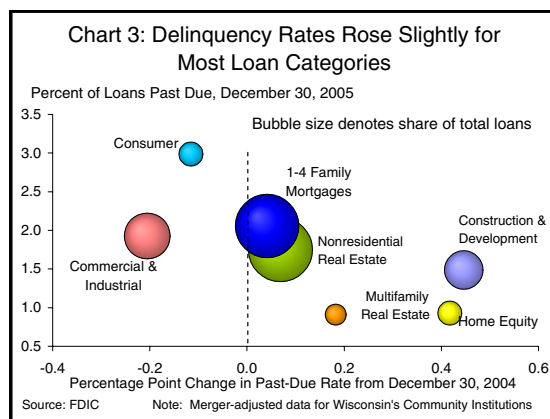
oil) represented about 5 percent of Wisconsin household spending, slightly higher than in 2001.

### Profitability was relatively stable for Wisconsin community institutions despite a flattening yield curve.<sup>1</sup>

- During 2005, Wisconsin community institutions earned a record \$530 million, a \$54 million (11.3 percent) increase over 2004. Return on assets (ROA) for community institutions increased slightly as declines in overhead and provision expenses offset lower levels of net interest and noninterest income (see Table 1).
- The net interest margin (NIM) declined slightly as the yield curve flattened further in 2005. For the first time since 2000, both the cost of funding earning assets and the yield on earning assets increased among the state's community institutions. However, despite strong growth in typically higher yielding commercial real estate loans, increases in funding costs more than offset gains in asset yields.
- The composition of Wisconsin institutions limited the impact of the flattening yield curve on the NIM. Commercial lenders, who typically hold shorter-term assets, represented 80 percent of community institution assets in Wisconsin.<sup>2</sup> The NIM for these institutions declined only two basis points during 2005. Conversely, residential mortgage lenders, who typically carry longer-term assets and compose only 7 percent of community institution assets, reported a 24 basis point decline in the NIM.

### Asset quality indicators were relatively stable, but Commercial Real Estate (CRE) exposures warrant monitoring.

- Total loan delinquencies increased slightly to 1.8 percent at year-end 2005, up five basis points from a year ago, and the net loan charge-off rate and reserve coverage of noncurrent loans changed little from a year ago. Past-due rates on all three categories of CRE loans (construction and development, multi-family, and non-residential) increased (see Chart 3).
- Eighty-seven percent of all Wisconsin institutions have increased CRE loan portfolios during the past year. Concentrations of CRE loans among all Wisconsin insured institutions exceeded national levels (see Chart 4).



<sup>1</sup>Community institutions are insured banks and thrifts with less than \$1 billion in assets, excluding new (less than three years old) and specialty banks. Data adjusted for merger activity.

<sup>2</sup>Commercial lenders are defined as insured institutions that hold at least 25 percent of assets in commercial and industrial and commercial real estate loans. Residential mortgage lenders hold at least 50 percent of assets in 1-4 family mortgage loans and mortgage-backed securities.

## Wisconsin at a Glance

**ECONOMIC INDICATORS** (Change from year ago, unless noted)

<b>Employment Growth Rates</b>	<b>Q4-05</b>	<b>Q3-05</b>	<b>Q4-04</b>	<b>2004</b>	<b>2003</b>
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.1%	0.8%	1.5%	1.1%	-0.3%
Manufacturing (18%)	0.6%	0.7%	1.3%	-0.3%	-4.6%
Other (non-manufacturing) Goods-Producing (5%)	3.1%	1.2%	1.5%	2.2%	-0.1%
Private Service-Producing (63%)	1.2%	1.2%	1.7%	1.8%	1.1%
Government (15%)	0.2%	-0.7%	0.4%	-0.2%	-0.5%
Unemployment Rate (% of labor force)	4.7	4.7	4.7	5.0	5.6

<b>Other Indicators</b>	<b>Q4-05</b>	<b>Q3-05</b>	<b>Q4-04</b>	<b>2004</b>	<b>2003</b>
Personal Income	N/A	4.2%	6.7%	5.4%	2.6%
Single-Family Home Permits	-5.6%	0.7%	-2.8%	1.5%	8.8%
Multifamily Building Permits	-7.2%	-10.0%	-13.7%	-21.1%	-7.2%
Existing Home Sales	-0.3%	9.4%	8.2%	10.3%	0.4%
Home Price Index	8.4%	7.6%	8.3%	8.3%	4.7%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	8.25	7.29	4.31	4.85	5.03

**BANKING TRENDS**

<b>General Information</b>	<b>Q4-05</b>	<b>Q3-05</b>	<b>Q4-04</b>	<b>2004</b>	<b>2003</b>
Institutions (#)	302	303	308	308	311
Total Assets (in millions)	128,291	126,780	118,361	118,361	109,404
New Institutions (# < 3 years)	4	3	1	1	5
Subchapter S Institutions	67	67	65	65	60

<b>Asset Quality</b>	<b>Q4-05</b>	<b>Q3-05</b>	<b>Q4-04</b>	<b>2004</b>	<b>2003</b>
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.67	1.74	1.68	1.68	2.03
ALLL/Total Loans (median %)	1.18	1.17	1.23	1.23	1.27
ALLL/Noncurrent Loans (median multiple)	1.72	1.67	1.72	1.72	1.34
Net Loan Losses / Total Loans (median %)	0.07	0.01	0.07	0.07	0.09

<b>Capital / Earnings</b>	<b>Q4-05</b>	<b>Q3-05</b>	<b>Q4-04</b>	<b>2004</b>	<b>2003</b>
Tier 1 Leverage (median %)	9.85	9.80	9.77	9.77	9.62
Return on Assets (median %)	1.01	1.09	1.04	1.09	1.18
Pretax Return on Assets (median %)	1.34	1.50	1.43	1.47	1.58
Net Interest Margin (median %)	3.92	4.00	4.03	3.98	3.94
Yield on Earning Assets (median %)	6.32	6.24	5.75	5.60	5.86
Cost of Funding Earning Assets (median %)	2.43	2.23	1.71	1.65	1.91
Provisions to Avg. Assets (median %)	0.09	0.08	0.10	0.11	0.13
Noninterest Income to Avg. Assets (median %)	0.53	0.59	0.57	0.59	0.71
Overhead to Avg. Assets (median %)	2.74	2.63	2.80	2.71	2.70

<b>Liquidity / Sensitivity</b>	<b>Q4-05</b>	<b>Q3-05</b>	<b>Q4-04</b>	<b>2004</b>	<b>2003</b>
Loans to Assets (median %)	73.9	74.1	71.9	71.9	69.4
Noncore Funding to Assets (median %)	18.7	19.7	17.1	17.1	15.2
Long-term Assets to Assets (median %, call filers)	7.9	8.2	8.5	8.5	10.0
Brokered Deposits (number of institutions)	168	165	155	155	137
Brokered Deposits to Assets (median % for those above)	5.7	5.1	4.3	4.3	3.3

<b>Loan Concentrations (median % of Tier 1 Capital)</b>	<b>Q4-05</b>	<b>Q3-05</b>	<b>Q4-04</b>	<b>2004</b>	<b>2003</b>
Commercial and Industrial	84.5	85.1	85.6	85.6	91.8
Commercial Real Estate	244.6	244.7	232.3	232.3	205.6
Construction & Development	49.1	47.1	39.0	39.0	34.2
Multifamily Residential Real Estate	7.0	6.9	6.0	6.0	4.8
Nonresidential Real Estate	167.9	167.9	163.4	163.4	143.4
Residential Real Estate	224.0	227.7	233.1	233.1	228.2
Consumer	28.1	28.5	30.8	30.8	35.7
Agriculture	33.6	33.3	32.0	32.0	35.0

**BANKING PROFILE**

<b>Largest Deposit Markets</b>	<b>Institutions in Market</b>	<b>Deposits (\$ millions)</b>	<b>Asset Distribution</b>	<b>Institutions</b>
Milwaukee-Waukesha-West Allis, WI	63	40,172	< \$250 million	231 (76.5%)
Madison, WI	48	10,944	\$250 million to \$1 billion	60 (19.9%)
Green Bay, WI	26	5,577	\$1 billion to \$10 billion	9 (3%)
Appleton, WI	30	3,050	> \$10 billion	2 (0.7%)
Racine, WI	19	2,629		